

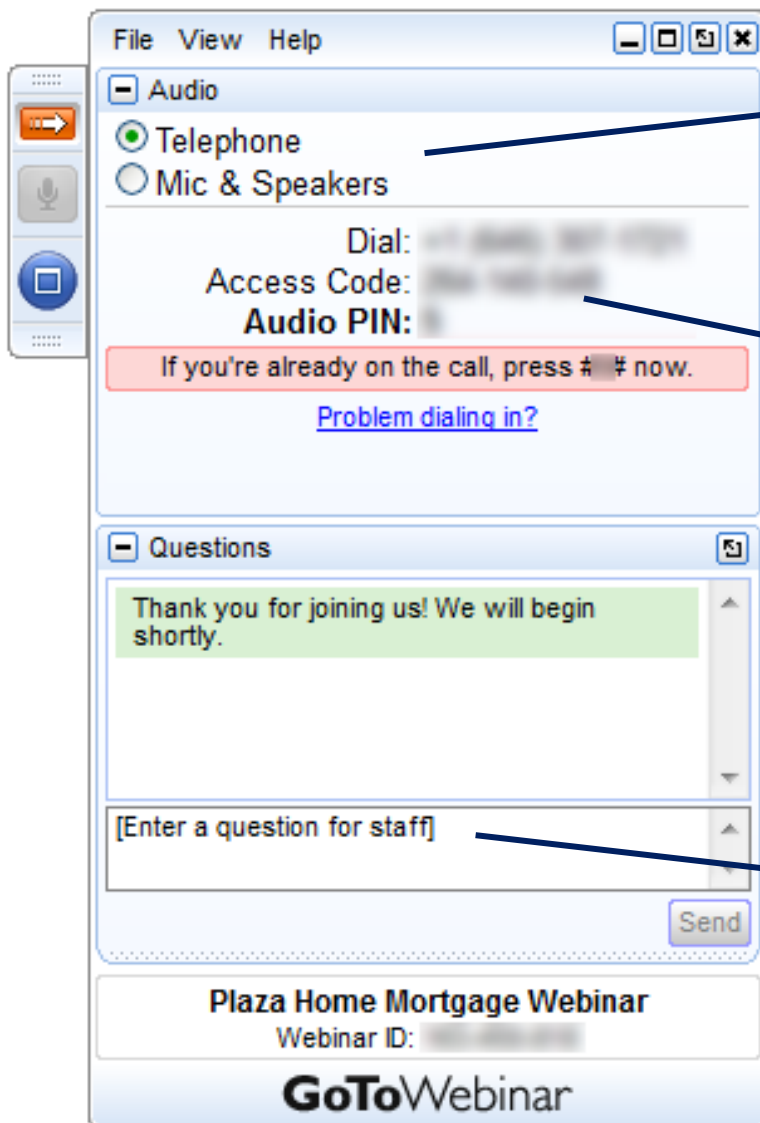
Community Enrichment Program

Module 5: Mortgage Credit Certificates



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HOME MORTGAGE INC.

Thank you for joining the webinar!



Use **speakers** or a **telephone** to listen to the audio.

Use the information in **your toolbar** to dial in from your telephone. Your telephone will be **muted**.

If you have any **questions**, please type them in here.

Objectives



- This training session is for **Wholesale Loan Origination Partners**.
- The webinar is scheduled for **30 minutes**.
- We will be giving a **brief overview** of Mortgage Credit Certificates.
- The **goal** of this webinar is to inform you of the basic requirements of these programs so you can use them as other available options to offer to your customers.

Program Benefits

For the Mortgage Loan Originator

- Competitive advantage through to the customer
- Generate more Purchase Volume
- Assist in serving first-time home buyers with financing
- Homeowner Education provides important information to homeowners about building their community, staying financially fit and maintaining and improving their homes
- Improved relationships with realtors and other referral sources
- Increased loan volume and revenue

For the Borrower

- Providing access to homeownership not otherwise available to many consumers in an underserved market
- Assist in reducing initial up front cost, down payment and reserves- provides financial assistance for qualified borrowers
- Investment for their financial future
- Assistance funds can be used towards down payment and closing cost in most cases. Many programs in targeted areas provide assistance in the form of reduced sale prices and forgivable second liens



Robyn Manchas
National Training Director



Karin Neidhart
SVP, Credit Policy



Mortgage Credit Certificates

What is an MCC?

The Mortgage Credit Certificate entitles the borrower to take a federal income tax credit of up to 20% of the annual interest they pay on their home mortgage.

It is a dollar-for-dollar reduction against their federal tax liability.

The mortgage interest credit provided by an MCC is a non-refundable tax credit; therefore, the homebuyer **MUST** have tax liability in order to take advantage of the tax credit.

MCC Program

- The MCC Program was authorized by Congress in the 1984 Tax Reform Act as a means of providing housing assistance to low- and moderate-income homebuyers.
- Typically, homebuyers with few deductions or credits are generally the best able to use the MCC tax credit as a form of housing assistance.



Tax Deduction vs. Tax Credit



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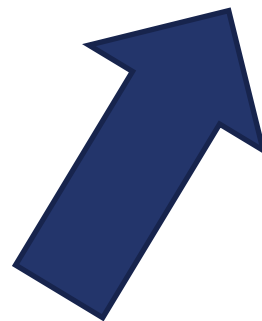
A mortgage interest tax deduction differs from a mortgage interest tax credit in a number of ways. For example, all homebuyers, regardless of income, may take a mortgage interest deduction, whereas mortgage tax credits are available only to holders of MCCs.

A **tax deduction** or a tax-deductible expense affects a taxpayer's income tax. A **tax deduction represents an expense incurred** by a taxpayer. They are variable amounts that you can subtract, or deduct, from gross income when the taxpayer computes his or her income taxes. As a result, **the tax deduction will lower overall taxable income** and thus **lower the amount of tax paid.**

A **tax credit** is different in that it **reduces the tax owed, rather than reducing taxable income.** This amount of tax savings is not dependent on the rate the taxpayer pays. An **MCC provides a tax credit** based on a **percentage** (as determined by the Program guidelines) **of the mortgage interest paid annually.** The **remaining mortgage interest paid annually may still be taken as a tax deduction** when the taxpayer computes his or her income taxes.

Tax Deduction vs. Tax Credit

Bob's	With MCC Tax Credit	Without MCC Tax Credit
Annual Income	\$60,000	\$60,000
Personal Exemption	-3,100	-3,100
Interest Deduction	-13,200	-16,500
Taxable Earnings	\$43,700	\$40,400
Federal Income Tax Due	\$7,656	\$6,831
Less MCC Tax Credit	-3,300	NA
Bob owes the IRS	\$4,356	\$6,831





Bob will owe \$2,475 less in Federal Income Tax with an MCC than without benefit of the MCC.

- Mortgage Interest Deduction without MCC is \$16,500
- Mortgage Interest Deduction with MCC is \$13,200
- \$6831 owed in Federal Income Tax without MCC Tax Credit
- \$7656 owed in Federal Income Tax with MCC Tax Credit

How?

- He can subtract the \$3,300 MCC Tax Credit from his total federal income tax liability of \$7,656. The mortgage interest deduction is already accounted for in the total tax owed.
- The MCC Tax Credit is applied after all “deductions” applied.

First-Time Homebuyer Requirement



- The MCC borrower(s) must be a first-time homebuyer **unless** the property is located within a targeted census tract.
- The primary form of documentation is the borrower's federal income tax returns for the last three years submitted at loan application.
 - The Participant Lender must examine the tax returns to determine that no mortgage interest or real estate tax deductions were taken.

Key Features

- MCC Providers may designate their own target areas in addition to specific census tracts that have received special designation by HUD-FHA to receive priority and expanded eligibility guidelines.

Not all Programs have Targeted Areas.

Mortgage Loan Programs



MCCs are available with the following mortgage programs:

- Fixed or adjustable rate conventional conforming loans (Fannie Mae or Freddie Mac)
- FHA
- VA
- Rural Housing

The Lender may consider the MCC tax credit when determining the amount of income available for the monthly housing payment and debt ratios by adding the MCC tax credit amount to the applicant's gross monthly income.

- For VA loans, the amount of the MCC tax credit reduces the Federal Income Tax amount used in the Residual Income calculation, not a qualifying income.

Example: Annual MCC Tax Credit
 $\$2500/12 = \208.33 mo.

Additional Eligibility Requirements



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Additional eligibility may be based on:

- Gross annual household income, which is derived from the borrower's current monthly income
- Maximum allowable purchase price of the home

How Long Does the MCC Last?

- The MCC is valid for the life of the loan, as long as the MCC holder remains the owner-occupant of the residence.
- The IRS regulation allows the reissuance of MCC when an MCC holder (borrower) refinances the original mortgage loan. (Subject to IRS regulations.)

For borrowers who have an existing MCC, it is permissible for them to keep the credit if they meet the guidelines for refinance. The only way to know if a borrower has an MCC is to ask them.

Recapture Tax



MCC holders may be subject to a recapture tax if they sell the subject property or no longer occupy the property within the recapture period (check with your MCC provider).

The Internal Revenue Service requires that the Loan Originator and Participant Lender:

- Have a basic understanding of the recapture tax and
- Have explained it to the MCC applicant before collecting the MCC fee from the MCC applicant.

Process Steps

Step 1	<ul style="list-style-type: none">▪ Buyer and seller sign and execute purchase and sale agreement
Step 2	<ul style="list-style-type: none">▪ Borrower completes application with a loan originator▪ Additional forms/items needed at loan application:<ul style="list-style-type: none"><input type="checkbox"/> Homebuyer education certificate for each borrower who will be on the loan<input type="checkbox"/> Tax returns for prior three years<input type="checkbox"/> Recent pay stubs within 45 days of closing<input type="checkbox"/> Notice of MCC Fee Guidelines<input type="checkbox"/> Notice of Potential Benefits Provided by a Mortgage Credit Certificate<input type="checkbox"/> Application Recapture Provision<input type="checkbox"/> Mortgagor Affidavit<input type="checkbox"/> MCC Tax Credit Worksheet<input type="checkbox"/> Income and Household Member Disclosure
Step 3	<ul style="list-style-type: none">▪ Borrower completes the MCC Provider required homebuyer education

Process Steps

Step 4	<ul style="list-style-type: none">▪ Loan originator to reserve MCC allocation on line or using reservation form
Step 5	<ul style="list-style-type: none">▪ Process/underwrite mortgage loan according to Plaza First Mortgage guidelines▪ Submit Pre-Closing Checklist for preliminary compliance review and approval
Step 6	<ul style="list-style-type: none">▪ Close mortgage loan and disburse MCC fee to provider per their instructions to settlement agent and lender▪ Additional forms/items needed at loan closing:<ul style="list-style-type: none"><input type="checkbox"/> Seller Affidavit<input type="checkbox"/> Closing Recapture Provision<input type="checkbox"/> Re-executed Mortgagor Affidavit if necessary
Step 7	<ul style="list-style-type: none">▪ Send MCC Post Closing Checklist and required documents to the MCC Provider
Step 8	<ul style="list-style-type: none">▪ When approved, the MCC Provider will deliver original MCC to MCC holder (borrower) and send a copy to the lender

MCCs are reserved pursuant to a first-come, first-served reservation process. MCCs may be reserved once all of the following requirements have been met by the borrower:

A fully executed (signed by both buyer and seller) purchase and sale agreement

Completed authorized homebuyer education course

Completed loan application with a loan originator

Appears to meet MCC Provider's program compliance

Availability of MCC

The MCC Provider will cease reserving and issuing MCCs under their MCC Program when the aggregate amount of the Provider's available MCC authority is fully committed.

Reservation Expiration Date

Once a reservation is accepted by the MCC Provider, it will be valid for at least 90 days. Review the actual MCC Provider Commitment for the expiration date and conditions.



IRS link to forms and info:

<http://www.irs.gov/uac/Form-8396,-Mortgage-Interest-Credit>

The screenshot shows the IRS website interface. At the top left is the IRS logo. To the right are navigation links for Subscriptions, Language, and Information For... Below these is a search bar with the text 'Search' and a magnifying glass icon, followed by a link to 'Advanced'. A horizontal menu contains the following items: Filing, Payments, Refunds, Credits & Deductions, News & Events, Forms & Pubs, Help & Resources, and for Tax Pros. The main content area is titled 'Form 8396, Mortgage Interest Credit' and includes a heart icon, a plus icon, and a printer icon. Below the title is a paragraph: 'If you were issued a qualified Mortgage Credit Certificate (MCC) by a state or local governmental unit or agency under a qualified mortgage credit certificate program, use this form to figure your mortgage interest credit for the current year and any credit carryforward for the following year.' There are three sections: 'Current Products' with a link to 'Form 8396', 'Recent Developments', and 'Other Items You May Find Useful:' with a link to 'All Form 8396 Revisions'.



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Plaza Community Enrichment Program Uncover sales opportunities in your own backyard.



The mission of the Community Enrichment Program is for Plaza Home Mortgage to become a leader in helping our origination partners develop successful strategies to leverage available housing programs, loan products and targeted messaging to promote homeownership, particularly in historically underserved communities.

We have brought together the products, programs, training and support to help our partners start growing their sales quickly and continue to build sales into the future. We even provide the resources to build solid relationships with REALTORS® and other referral sources.

The resources below can help you combine loan programs, possible pricing incentives and down payment assistance programs to put together the right loan solution for your customer.

Eligible Loan Programs

CEP is available for all products except Jumbo and High Balance.

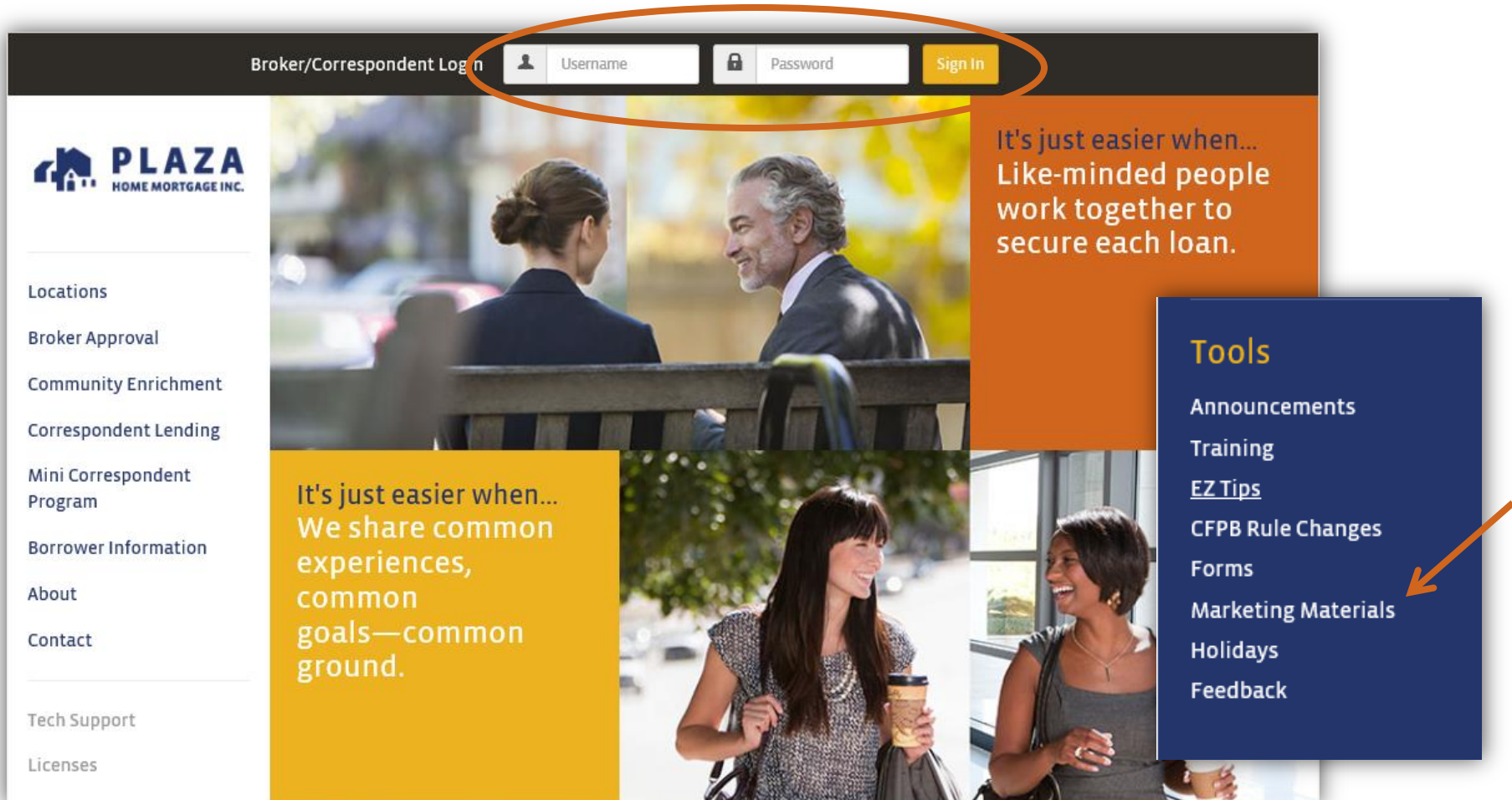
CEP Pricing Incentive

Plaza has identified a number of census tracts within specific MSAs to receive an attractive pricing incentive. Borrowers who purchase or refinance a home located in a Plaza-designated underserved community will receive a pricing incentive of:

- .75% on Government loan programs
- .50% on Conventional loan programs

Marketing Materials

- Log into www.plazahomemortgage.com
- Click on the Marketing Materials link on the right navigation



The screenshot displays the PLAZA Home Mortgage Inc. website interface. At the top, a dark navigation bar contains the text "Broker/Correspondent Log n" followed by a login form with fields for "Username" and "Password", and a "Sign In" button. This login area is circled in orange. Below the navigation bar, the main content area features a large image of a woman and a man sitting on a bench, with a yellow text overlay that reads: "It's just easier when... We share common experiences, common goals—common ground." To the right of this image is an orange text box that says: "It's just easier when... Like-minded people work together to secure each loan." On the left side, there is a white navigation menu with the PLAZA logo and the following links: Locations, Broker Approval, Community Enrichment, Correspondent Lending, Mini Correspondent Program, Borrower Information, About, Contact, Tech Support, and Licenses. On the right side, there is a dark blue navigation menu with the heading "Tools" and the following links: Announcements, Training, EZ Tips, CFPB Rule Changes, Forms, Marketing Materials, Holidays, and Feedback. An orange arrow points to the "Marketing Materials" link in this menu.

Customizable Materials: Originator to REALTOR



Quick, easy and customizable **Originator to REALTOR** Marketing Resources

Sell More REOs, short sales and foreclosures

Now your buyers can finance home repairs or remodels at closing with an FHA 203(K) Streamline Loan

Help your buyers looking for REOs, short sales and foreclosures with our streamline loan program. The program provides up to \$35,000* for renovations and repairs by financing the after-improved value rather than the present value. Qualified borrowers receive a single loan with one closing.

- As little as 3.5% down payment
- Up to \$35,000* for repairs or renovation of the primary residence
- Finance 100% of weatherization/energy efficient improvements**
- Finance construction costs with a single closing
- Buyer picks the contractors
- Wide variety of repairs covered, including roofs, kitchen/bath remodels, flooring, paint, new appliances, plumbing/electrical repairs, lead-based paint abatement

* Must include floor, contingency reserve and repairs.
** Unlike the standard Energy Efficient Mortgage program, payments must be made over the life of the loan. In addition, Energy Efficient Mortgages are subject to the same underwriting requirements as other mortgages, including credit, income, debt-to-income, and other requirements. Some additional requirements apply to lead-based paint abatement and water heater replacement.

Loan programs for today's home buyers

While you help your clients find the perfect home, we can help them with financing that is right for them. We offer a number of loan programs geared towards today's home purchase market. Whether your customers are first time homebuyers, or looking for a second home or investment property, we can offer just the right program to meet your customer's needs. Plus, with our short turn-times for purchase and extraordinary service levels, you can rest assured that the loan will close efficiently.

- **VA Purchase Programs** offer veterans loans with zero to little down payment, no reserves, for conforming and jumbo loan amounts
- **FHA 203(K) Streamline Loan** lets buyers finance home repairs or remodels into the loan and work is completed within 6 months after closing
- **FHA and VA Energy Efficient Mortgages** lets buyers roll up the cost of certain energy saving improvements into their mortgage at closing
- **Jumbo** offers loan amounts up to \$2,000,000 at great rates with less hassle
- **Reverse Mortgage Purchase Program** lets seniors purchase homes with no monthly mortgage payments
- **My Community, Home Possible, FHA, and VA Purchase Programs** allow borrowers to utilize local county and city down payment assistance programs (DAP) for down payment and closing costs

Sell those older homes faster

Energy Efficient Mortgages

More and more of today's home buyers consider the energy efficiency in their home purchase decision. In fact, over 50% of young home buyers prefer a highly energy-efficient home over a lower-priced older home.¹ So, an otherwise perfect older home with character can be overlooked over concerns of future energy bills.

We've got the solution for your client's sale! Now there's a way for home buyers to roll up the cost of certain energy saving improvements into their mortgage with a single closing. The home buyers can reduce their monthly energy bill and may even be eligible for local and federal tax advantages.²

- Can lead to more referrals from satisfied buyers
- 100% of the qualifying improvements, furnace/cooling systems, weatherization or replacing doors and windows can be financed up to the allowable limits³
- Lower monthly utility bills usually offset the increased monthly mortgage payment
- Potential greater resale value
- Potential federal and local tax advantages²

Call us today to learn more about this program.

1 First Home Buyers Study, NAR's Economic & Housing Policy Group, National Association of Home Builders, February 2013.
2 Borrower must qualify for the advantages.
3 Cost-effectiveness of the energy improvement using EERE guidelines required. Cost will apply.

*Customizable PDF
Flyers & HTML
Emails*

USDA Rural Housing

Insert Logo here

* **Buying a home with no monthly mortgage payments**

Reverse Mortgage for Home F

VA Loans

Insert logo here

*Customizable Lunch & Learn
Presentations*

Customizable Materials: Originator to Consumer



Quick, easy and customizable **Originator to Consumer** Marketing Resources

Before

Finance home repairs or remodels at closing with an FHA 203(k) Streamline Loan

You're looking at a house with "good bones" but it needs a lot of work. This streamline loan program provides \$35,000* for renovations and repairs of your primary residence by financing the after-improved value present value of the home. Qualified borrowers receive a single loan with one closing!

- As little as 2.5% down payment
- Up to \$35,000** for repairs or renovation
- Finance 100% of weatherization/energy efficient improvements**
- Finance construction costs with a single closing
- You pick the contractors
- Wide variety of repairs covered, including roofs, kitchen/bath remodels, flooring, appliances, plumbing/electrical repairs, and lead-based paint abatement

*Must include fees, contingency reserve and repairs.
** Seller must apply. Energy Efficient Mortgage Program improvements must reduce energy expense of a home to qualify. See program details on the FHA website for more information. ** Improvements include central heating/cooling, roofing, wall, ceiling, paint, tile and woodwork, dual pane or low E windows, exterior doors and shutters, attic and wall insulation and water heater replacement.

Because you're more than just a credit score

Home Loans for Less-than-Perfect Credit

Now There's a Fixed Home Loan for borrowers with credit scores as low as 580. We've got a home loan program for good customers like you who have weathered tough economic times. Our FHA program offers affordable loans, even if your credit score has been impacted by circumstances beyond your control, a layoff or long-term illness or disability. Our underwriters will review your application personally because we know your credit score doesn't tell the whole story.

- Loans available for single family residences, a property with 2 units, PUDs and FHA-approved condos
- No down payment if you're enrolled in an approved down payment assistance program
- Bankruptcy okay if it has been discharged for 2 years
- Foreclosure okay if it has been 3 years since completion of the foreclosure
- First-time home owners may be eligible
- Online Homebuyer Education course to help you through the process

Call us today to find out if you qualify and to get started!

Relax. Let Your Home Work for You.

NO MONTHLY MORTGAGE PAYMENTS REQUIRED. LOAN IS DUE WHEN YOU MOVE OUT PERMANENTLY, SELL THE HOME, OR PASS AWAY.

NON-COURSE; NEVER OWE MORE THAN WHAT THE HOME IS WORTH*

PAYMENT DISBURSEMENT OPTIONS BASED ON YOUR NEEDS

If you are at least 62 years old and own your home, a reverse mortgage may be a useful financial no limitations on how you use the money, so medical expenses, fund education for your grandchild or any other reason.

With a reverse mortgage, you can access the equity in your home, without having to make monthly payments. The loan would come due when you move out permanently, or pass away. Stipulations include maintaining primary residence current on property taxes and insurance, and the house is properly maintained.

Call us today to see if you qualify. As part of our service, you'll then work with an independent reverse mortgage counselor, who can help you evaluate all the benefits.

* If the heirs choose not to repay the loan and the home is foreclosed, they will not be liable for any deficiency.

Sell those older homes

Energy Efficient Mortgages

More and more of today's home buyers consider the energy efficiency in their home a top priority. In fact, over 80% of young home buyers prefer a highly energy-efficient home over a low bid. So, an otherwise perfect older home with character can be overlooked over concerns about energy efficiency.

We've got the solution to save that sale! Now there's a way for home buyers to finance energy saving improvements into their mortgage with a single closing. The home buyer's monthly energy bill and may even be eligible for local and federal tax advantages!

- Can lead to more referrals from satisfied buyers
- 100% of the qualifying improvements, furnace/cooling systems, weatherstripping doors and windows can be financed up to the allowable limits¹
- Lower monthly utility bills usually offset the increased monthly mortgage payment²
- Potential greater resale value
- Potential federal and local tax advantages³

Call us today to learn more about this program.

1. What Home Buyer Ready Work, NAR's Economics & Housing Policy Group, National Association of Home Builders, February 2013.
2. Bloomberg Intelligence, Energy Efficiency in Home Sales, March 2013.
3. Cost-effective measure of the energy improvements using HERS guidelines is required. Cost will apply.

Low down payment, no appraisal and no mortgage insurance for Fannie Mae owned properties

The Fannie Mae HomePath® program offers you the opportunity to purchase a Fannie Mae owned property with a low down payment and no appraisal or mortgage insurance. For a list of eligible properties, visit the HomePath website at www.homepath.com.

- As little as 5% down
- Available for primary residence, second home or investment properties
- 2-4 Unit homes are eligible
- Credit scores as low as 620 for loan amounts up to \$417,000¹ and 20% or more down; as low as 660 for less than 20% down.
- No appraisal or mortgage insurance² is required
- Expanded seller contributions allowed

1. High balance LTVs and credit score requirements may differ from conforming.
2. Hazard insurance is required.

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Simply download the materials from www.plazahomemortgage.com and add your contact information using Adobe Reader or Acrobat. You can even add your logo using a photo editing software.

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Originator to Consumer

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 - Delayed Financing
 - Energy Efficient Mortgage
 - FHA Retained
 - HomePath
 - Jumbo Elite
 - Reverse Mortgage
 - USDA Rural Housing
 - VA IRRRL
 - VA Purchase

What's Next?

Click here for more information and to register for the last session:

<http://bit.ly/1i8H0LO>

- Module 6: Neighborhood Stabilization Programs Combined with FHA Good Neighbor Next Door

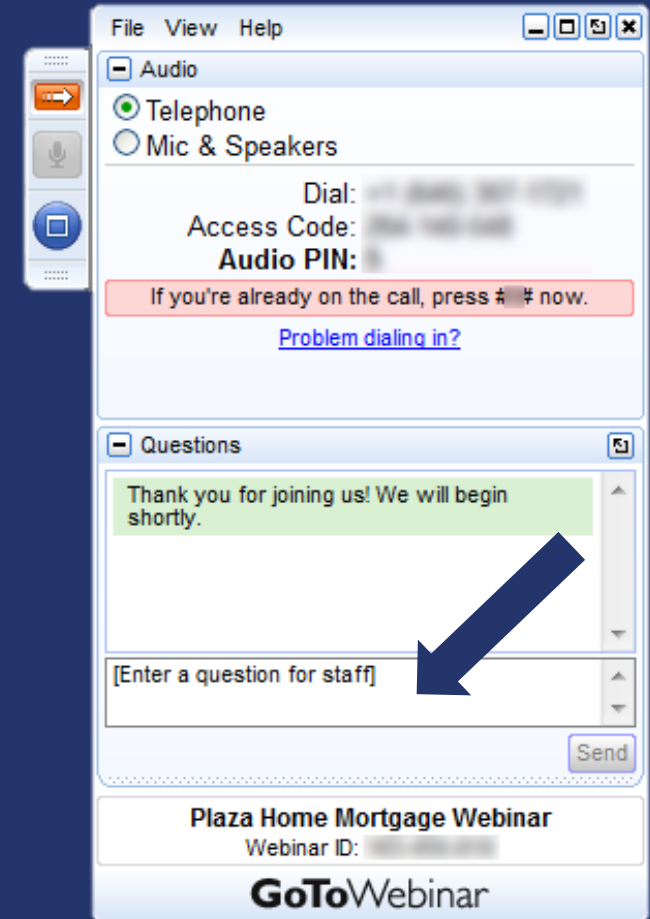
Did you miss any of the previous modules? Click below to view the webinar recordings:

- [Module 1: Overview of the Community Enrichment Program](#)
- [Module 2: FannieMae MyCommunityMortgage and Freddie Mac Home Possible Mortgage](#)
- [Module 3: FHA Loan Programs](#)
- [Module 4: Community and Nonprofit Second Liens](#)

Thank you for attending!



If you have any questions or comments, please feel free to contact training@plazahomemortgage.com.



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